

Approved For Release 2000/04/18 : CIA-RDP79T01049A000200050010-0

IP
140

Approved For Release 2000/04/18 : CIA-RDP79T01049A000200050010-0

SECRET

Approved For Release 2000/04/18 : CIA-RDP79T01049A000200050010-0

CENTRAL INTELLIGENCE AGENCY

Project: **IP-140**

OFFICE OF REPORTS AND ESTIMATES

Project Initiation Memorandum

Date: **6 July 1950**

To: **D/EE**

From: Publications Division, Projects Planning

Czech Imports From the West

Subject:

Statement of Project: **25X1A**

Internal [REDACTED]

Origin:

To supply answers to following:

Problem:

- a. What imports from Western countries are most important to Czech economy?
- b. What imports from specific Western nations to Czechoslovakia are of Strategic importance to Russian war potential?

Scope:

- a. What ruses, if any, are used by Czechoslovakia to effect the importation of goods from Western countries?
banned

Graphics (if any):

Form:

Memorandum

As soon as convenient

Draft due in D/Pub:

D/EE

Dissemination deadline
(if any)

Responsible Division:

D/EE

Internal Coordination:

SECRET

Departmental Responsibilities:

Secret

Classification to be no higher than:

Requester only

Recommended Dissemination:

Approved For Release 2000/04/18 : CIA-RDP79T01049A000200050010-0

SECRET

SECRET

Approved For Release 2000/04/18 : CIA-RDP79T01049A000200050010-0

CENTRAL INTELLIGENCE AGENCY

Index:

Foreign

East-West Trade

File

25X1A

Project: 1P-140

OFFICE OF REPORTS AND ESTIMATES

Project Initiation Memorandum

Date:

6 July 1950

To: D/EE

From: Publications Division, Projects Planning

Subject: Czech imports from the West

Statement of Project: 25X1A

Origin: Internal ()

Problem: To ~~supply~~ ^{supply} furnish answers to following:

Scope:

- What imports from Western countries ^{are} most important to Czech economy?
- What imports from specific Western nations to Czechoslovakia are of strategic importance to Russian war potential?
- What ~~ruses~~ ^{ruses}, if any, are used by Czechoslovakia to effect the importation of ~~banned~~ ^{banned} goods from Western countries?

Graphics (if any):

Form: Memorandum

Draft due in D/Pub: As soon as convenient

Responsible Division: D/EE

Dissemination deadline
(if any)

Internal Coordination: D/EC

Departmental Responsibilities:

Classification to be no higher than: secret

Recommended Dissemination: Requester only

Approved For Release 2000/04/18 : CIA-RDP79T01049A000200050010-0

SECRET

SECRET

27 June 1950

MEMORANDUM FOR : D/Pub, ORE
25X1A
ATTENTION : 
SUBJECT : Czech imports from the West.
25X1A
REFERENCE : 

1. It is requested that you supply this office with answers to the following questions:

a. What imports from Western Countries are most important to the Czech economy?

Czechoslovakia b. What imports from specific Western Nations *to Poland* are of strategic importance to the Russian war potential?

c. What ruses, of any, are used by Czechoslovakia to effect the importation of banned goods from Western Countries?

25X1A

2. For your information,  of this office (Extension 3215) is familiar with this request.

25X1A

SECRET

SECRET

ROUTING AND RECORD SHEET

INSTRUCTIONS: Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark insufficient) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM: 25X1A



NO.

25932

DATE

27 June 1950

TO	ROOM NO.	DATE		OFFICER'S INITIALS	COMMENTS
		REC'D	FWD'D		
1. D/Pub. ORE Att.	25X1A				6/29 Carlson to 4/E 25X1A
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

*BEST COPY
Available*

through-out-Job

DRAFT

IP-140, Case No. [REDACTED]

Subject: Czech Imports from the West

Important imports from Western countries.

Czechoslovakia has the most industrialized economy of any Satellite and therefore requires numerous commodities from the West. Principal products imported are ores, raw textiles, and special machinery. Commodities are classified as of first strategic importance, strategic importance, and those which have no strategic value. The distinction between the first two categories is that no satisfactory substitute source is available in the Orbit for articles of first strategic importance, while for materials of strategic importance only alternate Orbit supplies could be developed without any serious inconvenience to Czechoslovakia's economy or Soviet war potential. The following is a listing of Czech imports:

1. Metallurgical materials--all of which are of first strategic importance to Soviet war potential (except nickel, manganese, and chrome ores which are only strategically important).

a. Iron ore. The Czech steel industry is geared to the use of high grade Swedish iron ore which accounts for 41 percent of Czech iron ore imports. While the USSR has ample reserves to meet Czech requirements, considerable adjustment would be necessary before a straight mixture of domestic and USSR ores could be utilized. Sintering equipment would have to be constructed and blast furnaces rebuilt to handle the larger amounts of oxygen necessary to process Soviet type ores -- a task which would entail a sharp cutback in steel output.

b. Steel Scrap. Orbit sources are apparently insufficient to fill Czech scrap needs. To produce the 2,680,000 tons of steel scheduled for 1950, Czechoslovakia requires 750,000 tons of scrap, of which 500,000 tons must be imported. A large portion of this amount is being sought in the West. Evidence of this are: (1) desperate attempts to obtain scrap from Austria, Switzerland, West Germany, and the USSR, (2) efforts in the Middle East, Israel, and Lebanon, which have brought little more than token quantities of scrap, (3) a house to house drive within Czechoslovakia, and (4) dismantlings of small factories in the western frontier area to obtain machinery for scrap.

9. **Ferro-alloys.** With the exception of insufficient amounts of ~~produced~~ small amounts of indigenous nickel and tungsten, all ferro-alloys must be imported. Main imports from the West are set forth in the table which follows. The first list, supplied by an authoritative Czech source, details the 1950 requirements for the steel industry.

Ferro-Alloy Import Requirements for 1950
(in metric tons)

<u>Ferro-Alloy</u>	<u>From Non-Communist Countries</u>	<u>From Communist Countries</u>
Fe-Zirconium	100	
Fe-Molybdenum	170	
Molybdenum	40	
Fe-Manganese (blast furnace)		2,300
Fe-Manganese	430	
Fe-Manganese (afine)		600
Manganese Metal		15
Manganese Ore	60,020	60,000
Fe-Manganese-Silicon		300
Tungsten	45	
Fe-Tungsten	360	20
Fe-Vanadium	77	
Titile (titanium ore)	120	
Fe-Chromium	1,770	3,000
Chromium		5
Fe-Silicon	1,320	1,050
Silicon		300
Fe-Silicon 7%		4,000
Fe-Silicon 90%		300
Cobalt	5	
Nickel		1,500
Fe-Phosphorous		130

Imports of Ferro-Alloys from Western Countries in 1949 Through Trade Agreements

<u>Country</u>	<u>Date of Validity</u>		
Austria	1 year. Expired 30 June 1950	Manganese concentrates	2,500 Tons
		Ni. and tungsten wire	5 mil. Ca. lbs.
India	1 year. Expired 31 Dec. 1949	Manganese ore, low grade	5,000 Tons
		Manganese ore, high grade	7,500 Tons
Norway	1 March 49 - 28 Feb. 1950	Fe-silicon	450 Tons
		Fe-chrome	3,000 Tons
Sweden	1 year. Expired 31 Jan. 50	Fe-alloys	6 mil. Sw. kre.
The imports of ferro-alloys based on the 1950 trade agreements ~~mentioned~~ except for the Swedish-Czech agreement, 1 Feb. 50 - 31 Jan. 51, which ~~mentioned~~ the following ferro-alloys to be sent to Czechoslovakia:			

Fe-Vanadium	50 Tons
Fe-Tungsten	400 Tons
Fe-Chrome	250 Tons
Fe-Silicon	150 Tons

for alloys, outside of formal trade agreements.

From Belgium: An unverified report stated that, in 1948, Czechoslovakia obtained cobalt through Switzerland and Belgium and that attempts to obtain a supply in 1949 were unsuccessful.

25X1A

From Belgium 1949: A report states on account of the commercial activities of Lieberman, Director of Centralinox (Czech) and Alimabel of Brussels, Lieberman recently obtained 10 tons of Wolfram (tungsten) from the U.S., which was shipped to Czechoslovakia.

From the Netherlands: An unverified report stated that the maintenance of a regular supply of cobalt in Czechoslovakia is very difficult and that recently, some had been acquired in the Netherlands.

25X1A

From Turkey: Between 30 June 1949 and 16 April 1950, 4,747 tons of manganese ore and 1,100 tons of chrome ore were received from Turkey via Trieste.

d. Installations and Equipment. A primary target of the Czech Five-Year Plan is the further development of the iron and steel industry. A total of 9.5 billion crowns is to be expended from 1949 to 1953 for investments in the iron and steel industry to modernize and expand existing plants and construct new foundries and mills. Only part of these requirements, such as blast furnaces and sintering equipment, can be constructed in Czechoslovakia; the remainder must be imported. As the USSR is the only Orbit source for metallurgical materials, Czechoslovakia is seeking to secure as much as possible from the West. Principal planned investment expenditures are:

Addition	Value (1,000 crowns)
Two blast furnaces at Kuncice, annual capacity 500,000 tons	966,500
Thyssen plant	112,500
Steel mill, annual capacity of 480,000 tons	1,068,000
Rolling mill, annual capacity of 1.1 million tons	200,000
Continuous billet mill, annual capacity 800,000 tons	215,000
Continuous strip mill, annual capacity 125,000 tons	144,000
Blast furnace, annual capacity 260,000 tons	275,300
Sintering equipment	137,400
Steel mills, annual capacity of 400,000 tons	313,000
Rolling mill, annual capacity of 1.1 million tons	230,000
Hot rolling mill at Trinec, annual capacity of 400,000 tons	360,000
Cold rolling mill at Liskovec	445,000
Wire mill at Bohumin, annual capacity of 250,000 tons	191,500
Drawing mill at Bohumin	200,000
Gray casting foundry at Trinec	100,000
Gray casting foundry at Bohumin	102,000
Blast furnace at Konev, annual capacity 110,000 tons	370,000
Steel mills, with total capacity of 450,000 tons	218,000
Rolling mill at Konev	270,000
Rolling mill at Poldina	251,000
Hot-rolling and drawing mills at Chomstov	108,000
Foundry at Kralup Dvur, annual capacity of 420,000 tons	113,000

2. Non-Ferrous Metals.

a. Aluminum. Not of first strategic importance ^{because of a} plentiful supply of bauxite in Orbit. Czechoslovakia produces no primary aluminum;

9,000 of the 15,000 tons to be imported in 1949 was to come from the West.

For 1970 imports of 16,746 tons are scheduled as follows:

<u>From</u>	<u>To</u>
Great Britain	500 tons
France	2,380 "
Canada	3,030 "
Switzerland	737 "
Australia	916 "
Germany	269 "
USSR	2,500 "
	7,000 "

Total planned imports 16,746 tons

b. ~~Copper~~. Of first strategic importance. Domestic production negligible, practically all copper must be imported. 24,000 of the 25,000 tons estimated as imported during 1949 came from the West, principal suppliers being Chile, Belgium (largely refined electrolytic), Mexico, The Netherlands, Japan, and Canada.

4. Lead and Zinc. Strategically important. Czech lead and zinc resources are insufficient for domestic requirements. Less than 25 percent of lead imports are scheduled from the West in 1950. Around 10,000 tons of zinc were scheduled from Western sources in ~~1949~~ 1949 and 1950, which amount represented approximately 30 percent and 40 percent respectively of total zinc needs.

4. Tin. Of first strategic importance. Czech tin demands are met entirely by imports. Under the Combined Tin Committee, Czechoslovakia was allocated 1,600 tons of tin. 1950 requirements are reported at 1,832 tons. Thus, Czech tin supplies will probably continue to come from the West.

3. Energy Items. Petroleum and Other Fuels; extraction and refining

2. Petroleum Products. Strategically important. High Octane Aviation Gas and Aviation Lubricants, obtained from the U.S. and U.K. ¹⁰⁰
In May 1990, ~~the~~ ^{They} ~~was~~ ^{in fact} reported as stopped. ~~These~~ ^{These} ~~products~~ ^{products} used to service U.S. and U.K. planes transiting Czechoslovakia.

b. ~~Quadrant~~ Strategically important. Imported from French ~~of Germany~~ for use in ~~most~~ synthetic oil refinery.

c. Drilling Machinery and Spares. Strategically important. Received from Western Germany; supply will ~~likely~~^{probably} be curtailed through stricter enforcement of export controls.

d. Geophysical Equipment. First strategic importance. Supplied by France; formerly furnished by U.S.

a. Coal Mining Machinery. First strategic importance. Only current source: the U.K. and possibly Western Germany. Amounts being imported ~~de-~~ minor; equipment received from the USSR expensive and of poor quality.

4. Chemicals. Includes raw materials for chemical manufacture; only ~~one~~, ilmenite (titanium ore) of first strategic importance; ~~balance~~ ^{the} only strategically important.

a. Pyrites. Basis for sulfuric acid; imported from Cyprus, Italy, and Spain.

b. Sulfur. Obtained from Italy.

c. Phosphate rock. Source, French North Africa.

d. Carbon Black ⁾ required for rubber manufacture, ~~but~~ Processing Chemicals) particularly tires. Obtained through Switzerland, origin probably the U.S.

e. Ilmenite (Titanium ore). Supplied by Norway, Sweden, and France.

5. Agricultural Products. None of strategic importance; main suppliers only noted.

a. Cotton. U.S., Pakistan, and Egypt.

b. Wool. Australia and Argentina.

c. Hides and Skins. South America.

d. Textile Machinery. U.K., U.S., and other Western European countries.

6. Production Equipment. The advanced state of Czechoslovakia's economy, which is more developed than ~~any~~ ^{that of} other Satellite, makes the importation of production equipment a prime necessity. The technological backwardness of the orbit means that these imports must, of necessity, come from the West. Scientific journals and periodicals constitute a ~~substantial~~ ^{small} group of imports, primarily those of the U.S. and U.K., the lack of which would severely handicap the Czechs. All the items listed below are of first strategic importance except automatic control switches and special construction equipment which, though ~~important~~ not in sufficient supply in the Orbit, are not essential to the Soviet war potential. For both categories, more hand labor can be substituted if necessary.

a. Anti-friction bearings. Supplied by France, Italy, Sweden, the U.K., Switzerland, and Austria.

b. High grade tool and bearing steels. Sweden.

a. Silicon carbide abrasive graining. Norway and the U.S.

b. Precision and specialized machine tools. Ball bearing manufacturing equipment, precision grinding machines. Britain, Italy, and Switzerland.

c. Automatic control switches for machinery. Various ^{Western (Europe)} Countries.

d. Precision Measuring Instruments. Italy and Switzerland.

e. Special Construction Equipment. (Notably bulldozers and scrapers). Belgium and the U.K.

f. Industrial Diamonds. (diamond grinding wheels and dies). Belgium and the Netherlands.

g. Granite Electrodes. Required for electric furnaces; Switzerland and Western Germany. This item is a borderline commodity as expanding production in Eastern Germany may soon be capable of meeting war potential demands.

h. Tubes and Electronic components. Italy, Switzerland and the Netherlands.

B. Measures Used to Secure Restricted Western Goods

The impact of export controls brought about two immediate results: revised planning in order to compensate for shortages of particular items; and development of new sources of supply/ and a system for evasion of export controls.

Czechoslovakia has been able to develop, in many instances, substitute sources for U.S. industrial equipment and supplies. Increased expense, or reduced efficiency has not altered the fact that this could be achieved. U.S. machine tools, ^{examples} for instance, may well be the most efficient and the best high speed tools available, but working substitutes are procurable from Switzerland and England. The United States embargoes all diesel engines over 60 hp, while England only restricts those above 200 hp. High grade metal alloys, and non-ferrous metals and concentrates, embargoed or quantitatively restricted from the United States, have been obtainable elsewhere. For example, three-quarters of Czechoslovakia's 1949 imports of copper (a 1-B item) were obtained from the West, primarily Chile, Mexico, and Belgium.

Acquisition of U.S. surplus stocks in Europe, the title to which had passed to European governments or private traders, provides another ^{limited} source of strategic materials such as scrap metal, multi-drive vehicles, and even tanks.

The parallel action taken by some countries has forced the Orbit to engage more and more in the acquisition of strategic materials through outright evasion tactics. Primary methods employed are transshipments through third parties, use of the free ports, falsification of papers, and smuggling.

Transshipment is the most important medium and is operated frequently through the free ports of Europe. In one instance, Italian bearings consigned to a Swiss firm were taken to Chiasso, on the Swiss border and placed in bond. Still in bond, they were taken to Zurich, inspected, and resold for delivery to Czechoslovakia.

In other instances, U.S. goods consigned to a Western European firm have been reforwarded. For example, 500 metric tons of electrolytic copper licensed for export to Belgium by the U.S. were transshipped to the Czech firm Metalimex.

The use of the free ~~ports~~ ^{trade areas} is, of course, extremely expeditious. Once goods arrive in such a customs-free area, they can be sold, re-sold and transferred at will. The transactions become, in effect, extra-territorial in character, and control over them becomes impossible for all practical purposes. A large traffic in bearings was carried on from Germany to Czechoslovakia via the free ~~ports~~ ^{trade areas} of Switzerland. Lack of adequate end-use checks resulted in excessive German licenses being granted to Swiss consignees. The goods were sent to Swiss free ~~ports~~ ^{trade areas} where they were resold to Czech representatives.

Falsification of papers ^{has been used as a means of evading} is another ~~method~~ ^{means of evading} to evade export controls. Items have been licensed and shipped to a non-existent Western consignee, with Czechoslovakia as an actual destination. Aircraft parts have been obtained in this manner both from the U.S., (Through Canada, England and Switzerland) and from overseas stocks of U.S. aircraft parts.

Smuggling is ~~an~~ ^{another} effective method for handling many goods. Industrial diamonds are easily carried in a diplomatic pouch, or on the person of a "businessman" traveling from one country to another. Small amounts of cobalt, nickel and other such items are similarly transported across borders, particularly from Germany and Austria. These transactions are often managed with the behind aid of Western customs officials and frequently involve truckloads of goods which cross the German-Czech borders with the help of the Czech border police. In Austria, the use of the extraterritorial position of the ~~Austrian~~ ^{NEC} ~~customs~~ evasion particularly easy, as the Austrian guards dare not examine shipments labeled "property of the USSR."

The main routes for clandestine procurements are through Belgium, Holland, Italy, and Switzerland. From these points, the goods most frequently transit Germany or Austria, with Austria being favored because of the lack of supervision between zones. Shipments are also routed through the Eastern European countries and the use of that area will undoubtedly increase if European controls become more effective.

Czechoslovakia's activities in evasion of controls have been directed primarily to acquisition of bearings and non-ferrous metals; ~~also~~ ^{then} to aircraft parts and equipment and machinery; and to a lesser extent, to other categories such as chemicals, abrasives, and scrap metals. These efforts have been fairly successful and the success has been in direct ratio to the efforts expended, except in the case of aircraft parts and equipment ^{in which case} where the embargo has been substantially effective.